

Key Points (HMFA Construction & Permanent Financing)

The HMFA recognizes the difficulty of developing affordable Assisted Living Residences, and therefore, has attempted to refine its process and programs to better serve its clients.

- o One closing with construction financing rolling over into permanent amortization.
- o Tax-exempt financing **in some cases** qualifies the project for low income housing tax credits under the State's volume cap rather than competing in a tax credit cycle. The sponsor must obtain a Private Letter Ruling (PLR) from the IRS which, is specific to the project.
- o No additional fees for tax credit compliance monitoring.
- o Sales tax exemptions may be available on supplies and materials purchased for the construction of the project if the HMFA supplies the construction loan.
- o New Jersey prevailing wages must be paid during construction provided ***construction financing is provided through the Agency.***
- o Real estate tax abatements under the more favorable Agency Statute.

In-house experts to work with and assist the development team to expedite the process as well as anticipate potential problems before they become issues and/or roadblocks.

- o ***No additional fee for COAH monitoring.***

Do Your Homework Before You Begin

What Should You Know?

- Read The Regulations!
- Visit Existing ALRs, CPCHs, ALPs
- Look at the Design of Each
 - o What is fluff, practical, expendable etc.?
 - o Does it project the image of home? or Does it feel as though it's a hotel or vacation spot?
 - o Would you be comfortable coming home there? For the rest of your life?
 - o Is this a place that you can grow old and frail in? Or, is this a place that cannot be adapted to various frailties i.e. How far do you have to walk from your apartment to the dining room? Are there areas where you can go to just 'visit' with a couple of new friends?
 - o Don't reinvent the wheel. Replicate the good aspects of what you see, but recognize the window dressing that can be eliminated or scaled down through creative "out-of-the-box thinking".

BOTTOM LINE: BE PRACTICAL

Look for Affordable Options

- Remember COAH (Council On Affordable Housing)
- Tax Credits - Are they an Option? Could They Be?
- Balanced Housing Funds
- Home Funds - Local Community May Need COAH Credits; State or County May Have Funds

Available;

- CDBG Funds (Community Development Block Grants)
- Federal Home Loan Bank (FHLB) Loans and/or Grants
- Tax Exempt or Taxable Bond Financing Through the HMFA

PROGRAM DESIGN:

- Medicaid Waivers
- Capitalize on Existing Community Resources /Programs
- Play "LETS MAKE A DEAL" - Remember the Barter System?
- Don't Forget the Schools When Designing Your Programs - Use all Three Levels To Your Advantage, i.e. elementary, secondary, and college
- The Universal Worker

Identify Opportunity

- Is there a Need/Demand in the Community?
- Remember, approximately 85% of your tenants will come from the primary and secondary market area - that's usually no more than a ten-mile radius around the community.
- Is there Property Available in the Community? Community- owned Property?
- What is the Local Community Plan? Will Your Project Fit in With This Plan?

Start With The Local Community Leaders

- Educate them - Make sure they know what Assisted Living is and is not.
- Show Them How Your Project Can Help Them Meet Their COAH Obligations
- If They Own the Land, Will They Donate It?
- Do They Have Home Funds to Contribute?
- Enlist Their Help In Getting the Community and the Neighborhood's Support.

OUTLINE OF TASKS TO BE PERFORMED FOR DEVELOPMENT OF AFFORDABLE ASSISTED LIVING

1. Identify development opportunity
 - A. Need/demand
 - B. Available property
 - C. Local plan/commitment
 - D. Funding Availability
2. Select Site and Evaluate
 - A. Physical Characteristics (size, condition, configuration)
 - B. Cost
 - C. Environmental Considerations
 - D. Accessibility
 - E. Proximity to Support Facilities
3. Negotiate acquisition of property/Establish site control
 - A. Estimate Value
 - B. Calculate Supportable Cost
 - C. Determine Financing Requirements
 - D. Negotiate Agreement

- E. Post any necessary deposit
 - F. Order Title Insurance- Clear Title
4. Preliminary determination of feasibility
 - A. Assessment of need/demand
 - B. Assessment of political support
 - C. Assessment of neighborhood support
 - D. Financial and economic analysis of requirements for development and operation
 5. Establish/Reinforce community support
 - A. Identify active and effective neighborhood-based community organizations
 - B. Meet with community groups to determine their goals and objectives and to elicit their reaction to proposed development
 - C. Conduct community meetings to inform and to generate support
 6. Identify developer participants
 - A. Establish relationship with partners
 - B. Identify prospective non-profit partners; evaluate contributions and negotiate agreements
 7. Formulate Development Proposal
 - a. Consult needs and goals of local Comprehensive Housing Assistance Strategy
 - b. Consider need and demand
 - c. Consider public input and input from neighborhood organizations
 8. Select project Architect and Attorney
 - A. Identify prospects
 - B. Evaluate experience, minority status and pricing
 - C. Negotiate terms of relationships
 - D. Fund Architect during preliminary planning and design process
 9. Establish preliminary project design
 - A. Development architectural program
 - B. Communicate program to architect
 - C. Participate in preparation and evaluation of alternate design concepts
 - D. Obtain concurrence of all participants in selected preliminary design concept
 10. Develop tenant support programs
 - A. Identify target population for occupancy
 - B. Identify specific needs of target population
 - C. Identify agencies and organizations(service providers) to address needs
 - D. Work with organizations to identify/develop programs
 - E. Negotiate arrangements with providers
 - F. Formulate final service plan
 - G. Identify funding sources for social service programs
 11. Make funding applications to local government agencies
 - A. Municipal CDBG Program
 - B. Municipal HOME Program
 - C. Municipal UDAG/HODAG Programs
 - D. County Housing and Development Agencies (Roads Money)

E. Regional Contribution Agreements

12. Make funding applications to State Agencies
 - A. Balanced Housing/HOME
 - B. State Corporate Tax Credits
 - C. Tax exempt or taxable bond financing
13. Obtain permissive zoning
 - A. Make application for permit
 - B. Generate evidentiary documentation of local support
 - C. With attorney and architect, make presentation to zoning hearing board
14. Make application to the Federal Home Loan Bank Affordable Housing Program
 - A. Meet with regional staff to discuss proposal
 - B. Participate in pre-application conferences
15. Make application for LITC
 - A. Determine whether Historic rehab credits are eligible/appropriate
 - B. Prepare detailed estimates of development costs (LITC continued)
 - C. Determine as-built qualified basis of property
 - D. Determine eligibility for difficult to develop area/ qualified census tract
16. Solicit/place equity investment
 - A. Prepare project description/analysis
 - B. Prepare projections of investor benefits
 - C. Promote sale of equity (private/corporate placement, public fund, national syndicators)
 - D. Negotiate terms of equity sale
17. Continuing support for all funding/tax credit applications
 - A. Maintain continuous contact with all agencies before which applications are pending
 - B. Supply additional materials/information; negotiate issues; modify applications; lobby for approval
18. Select general contractor
 - A. Prepare request for competitive pricing/proposal
 - B. screen and evaluate respondents
19. Value engineering/contract negotiations
 - A. Coordinate efforts of architect, and contractor to incorporate cost effective, acceptable modifications to plans
 - B. Provide instructions for finalization of contract documents
 - C. Negotiate general contractor for construction
 - D. Review performance, labor and materials bonds
20. Funding commitment documentation
 - A. Acquire/produce all information/documentation required by all sources of debt financing for issuance of commitments
 - B. Acquire/produce all information/documentation required for due diligence evaluation by equity investor

21. Coordinate underwriting processes of each funding source
 - A. Identify inconsistent/conflicting requirements
 - B. Communicate independently with each source
 - C. Facilitate intercommunication among sources
22. Utility services
 - A. Obtain confirmation of availability and adequacy of service
 - B. Complete application process
 - C. Determine requirements of each supplier
23. Insurance requirements
 - A. Inform Architect and general contractor of insurance requirements of each participating lender/agency
 - B. Obtain competitive quotations for insurance coverage (insurance continued)
 - C. Place builders risk and general liability policies
24. Closing Requirements
 - A. Identify requirements of each funding participant
 - B. Coordinate satisfaction of requirements with project attorney and other participants
 - C. Facilitate cooperative participation of each funding source
 - D. Fund cash requirements for closing
 - E. Provide/secure bridge financing for equity investment
25. Act as managing general partner of the developer limited partnership
 - A. Manage partnership business
 - B. File necessary licenses, permits and registrations
 - C. Engage an accountant to prepare financial statements and tax returns
 - D. Provide to equity investors/debt finances the following guarantees;
 1. Completion of construction
 2. Operating deficit escrows
 3. Achievement of qualified occupancy
 4. Tax credit qualification
26. Construction Administration
 - A. See construction administration on next pages.
27. Ongoing compliance
 - A. Monitor and enforce long-term compliance obligations of the partnership re:
 1. LITC
 2. FHLB Affordable Housing program
 3. Low income occupancy requirements of state and local requirements
 4. Housing quality standards of participating agencies

CONSTRUCTION ADMINISTRATION SERVICES CONDUCTED BY THE DEVELOPER

1. Produce preliminary estimate of construction cost for financing applications.
2. Prepare detailed breakdown of construction costs, by trade, based upon preliminary architectural plans.
3. Prepare and provide specifications for finishes and other critical elements of construction.

4. Direct the preparation of a request for proposals to solicit from contractors competitive quotations of construction costs.
5. Coordinate the value engineering process with the architect, consulting engineers and contractor in the finalizing design and refining pricing.
6. Meet with neighborhood-based, non-profit partner(s) and/or other community organizations to determine the objectives for subcontracting with minority business enterprise firms and for local and minority hiring.
7. Negotiate with contractors specific goals for minority business enterprise utilization and local/minority hiring.
8. Assist local organizations in establishing a neighborhood job bank from which to refer prospective workers.
9. Deal directly with trade journals in publicizing proposed construction and handling referrals of inquiries generated through such publication.
10. Conduct preconstruction job meeting.
11. Obtain permits required as precondition of issuance of building permits; such permits include: zoning, parking, lot, etc.
12. Prepare/negotiate general contract for construction.
13. Direct the contractor in preparation and use of a form of requisition for payment which will satisfy the owner, the architect, lenders and all public agencies involved in the development.
14. Negotiate and prepare a Disbursement agreement, pursuant to which contractor payments can be made.
15. Inspect construction at least once weekly.
16. Meet with subcontractors, as needed, and resolve problems.
17. Coordinate the participation of the design architect, consulting engineers, environmental engineers and consultants, interior designers and other professionals in the construction process.
18. Attend weekly job meetings at the construction site and coordinate the participation of the project architect and the general contractor in the conduct of construction.
19. Review contractor's requisition for payment and evaluate/confirm percentages of completion of construction by trade and/or discreet elements of work.
20. Process the contractor's requisition for payment with all lenders and agencies involved.
21. Monitor contractor's performance in minority business enterprise utilization and local/minority hiring; intervene directly to assure performance in accordance with agreed upon standards.
22. Consult with local organizations regarding contractor performance in minority business enterprise utilization and local/minority hiring.
23. Meet with public agencies and contractors to resolve performance problems in compliance with labor standards and affirmative action goals.
24. Evaluate field conditions which arise during the course of construction and make recommendations/decisions regarding modification of contract documents to accommodate such unforeseen conditions.
25. Communicate with lenders and participating agencies regarding discovered field conditions which require deviation from plans and specifications.
26. Evaluate contractors proposals for change orders to determine basis/necessity for change; to evaluate the suitability of the proposed change in work intended to address the subject field condition; assess the reasonableness of the quoted cost of work.
27. Thoroughly inspect the property and every dwelling unit to make determination of completion of construction and authorize transfer of responsibility for the completed property from the contractor to the owner.
28. Establish a punch list of incomplete or unsatisfactorily completed items of construction and determine reasonable value of such items in order to establish proper escrow to secure the contractor's performance in the completion of construction.
29. Re-inspect all dwelling units as often as necessary to assure and confirm completion of punch list

items.

30. Inspect property and all individual units at least quarterly during the one- year construction guarantee period to identify latent defects in construction.
31. Intervene directly with the general contractor and/or subcontractors to assure prompt and proper correction of all identified latent defects.

Program and Design Considerations

Overview: This Assisted Living Residence program is designed to provide construction and/or permanent financing for assisted living developments serving the frail elderly and/or other appropriate populations. It addresses the needs of frail persons and, by creating a supportive living environment that maximizes their ability to live in a residential setting and, it reduces the need for costly institutionalization. HMFA 's primary objective is to finance developments targeting persons who need assistance with activities of daily living (bathing, continence, dressing, ambulating, toileting, eating and transfers). Each development is required to reserve a minimum of 20% of the units for occupancy by persons earning 50% or less of the area median income as published by HUD and, of that set aside, 5% must be Medicaid eligible, i.e., their income may not exceed 300% of the monthly SSI benefit amount.

Developments may be new or substantial rehabilitation. Substantial rehabilitation would only be considered if the development will be licensed as an Assisted Living Residence.

Project Size: While there is no formal minimum number of beds or units imposed by the Agency, projects under 30 units may have difficulty delivering needed services cost-effectively. Conversely, projects exceeding 100 beds may experience long rent-up periods and substantial initial operating losses, thus reducing the likelihood of project success. **Therefore, the HMFA will not finance a project where the bed count exceeds 100.**

Service Requirements: Assisted Living Residences and Independent Housing with Enhanced Services (and intend to offer an Assisted Living Program to its residents) financed by the Agency must include a supportive service program which features the direct provision and/or coordination of the following minimum components:

- Up to two hours per day of direct assistance with activities of daily living (ADLs) and Instrumental Activities of Daily Living (IADLs) including but not limited to assistance with bathing, continence, dressing, ambulation, toileting, eating and transfers;
- Assistance with housekeeping and maintenance, laundry service, medical monitoring and transportation;
- Provision of up to 3 MEALS per day to residents;
- 24-hour response to emergency needs of the residents; and
- Service coordination and case management.

Every assisted living development or program must provide these minimum services that must be tailored to each resident's specific needs and desires. Project sponsors are encouraged to structure rent and service charges in a "standard" package of basic assistance available for a flat monthly rate. Residents should also have the ability to purchase enhanced or optional services at an additional charge. Services may be provided directly by the owner or through contracts with outside service providers.

Target Group: There is no minimum age for residency in Assisted Living Residences under Chapter N.J.A.C. 5:80 authorized under N.J.S.A. 26:2H-1 et seq. Given the program's orientation to frail elders, it is anticipated that most residents will be significantly older (80+). However, it is possible for them to

be much younger, when the ALR is meant for a special needs population.

Design Requirements and Considerations: The assisted living developments financed through this program provide residential environments designed to support aging frail elderly and other special needs as well as the delivery of needed services. Impediments to participation, such as declining physical mobility and other sensory and cognitive impairments typical of frail populations, should be considered as the norm for many residents. Assisted living facilities should provide an atmosphere that encourages both community and independence.

An essential feature of architectural planning for an assisted living facility includes developing an architectural program in close consultation with the operator. The location, size and attributes of spaces should be the product of careful analysis. Spaces should be primarily residential in scale and character. The architecture should define public, semi-public and private space. Literature exploring various cultural and corporate models of assisted living should be consulted.

The architectural design should create a residential setting which emphasizes a "home-like" environment while providing for a supportive services infrastructure. Innovative design features that address the unique needs of the frail and disabled while enhancing operational efficiency are encouraged. The following guidelines outline design features should be considered. **All design development drawings will be reviewed by HMFA architects for cost estimates to verify the estimates provided on the pro forma are reasonable. HMFA architects will also comment on the design if found to not meet its general requirements and standards.**

Developments will provide the features highlighted below:

1. **Home Environment:** The development should appear residential rather than institutional in character. Finishes and furnishings should be sensitively selected to accommodate the needs of elderly residents. The design should reflect prevailing state and federal accessibility requirements as well as the increasing frailty and/or disability of the residents.
2. **Privacy and Independence:** The privacy and independence of the residents must be supported by the physical design of the residence. At a minimum, all units should include a lockable entry door, private bathroom and a kitchenette (consider a two-burner counter-top range when designing the kitchenette). The kitchenette **must include** sink, refrigerator (preferably full size) and cabinets for food storage. Shared units by parties unknown to one another are discouraged but, if necessary to make the project financially feasible, the shared units **must** be designed in the format of a 'suite' where each individual will have his/her own private bedroom with a lockable door and private bath; thus, sharing a kitchen and sitting area only. The shared units may not be relegated to the low-income population only. Certain exceptions apply with regard to Comprehensive Personal Care Homes (CPCs) and 100% affordable projects. Exceptions are made and determined on a case-by-case basis and should not be considered automatic. **Shared one-bedroom units by anyone other than individuals may not occur unless; both individuals are known to one another and have made the choice of their own free will.**
3. **Energy Efficiency:** It is mandatory that individual climate controls be provided in each unit, per N.J.A.C. 8:36 of the regulations. While it may be cost effective to design and build the project using electric heat pumps, it is **not** recommended and a study as to they're cost effectiveness to operations and practicality in the long-term must be provided, approved and accepted by the HMFA if they are to be permitted.
4. **Nutrition:** Dining facilities capable of serving all residents up to three meals per day should be provided on-site. If off-site food preparation is proposed, space for future installation of an appropriate central kitchen must be available.
5. **Community Space:** Public areas for resident use should be created to serve the daily, informal

and special-purpose activities described in the service plan of each resident; the service plan should detail the programmatic uses of community spaces.

6. **Safety:** Compliance with all state and federal life safety codes (including the National Fire Prevention Association (NFPA) life safety codes including sprinklers) is essential. Consideration should be given to alarm system and monitoring devices for residents affected by sensory and mobility impairments.
7. **Site Design:** A van parking area and passenger drop off station protected from the weather should be considered. Such an area should be near to, and visible, from the main entry. Building entries must be handicapped accessible. Parking requirements must comply with local zoning and accommodate use by staff, suppliers, visitors and residents. Finally, a secure outdoor recreation area should be provided. As a rule of thumb, use 25 square feet per person for planning.
8. **Building Design:** Compliance with all state and federal life safety codes. Building forms and material should be appropriate and integrated into the topography and neighborhood. Because these facilities will employ staff and certain areas may be open to the public, (e.g. Adult Day Care) the facilities may be subject to the Americans With Disabilities Act. Energy saving materials and equipment that perform above code requirements are encouraged. Provide individual controls for heating and cooling systems within each unit. Elevators are required in all buildings higher than one story. Corridor lengths **no more than 75 feet from a resting area** are required. Resting areas and handrails are required. Landmarks, natural light and indirect lighting schemes should be considered into the design of corridors. Developers are encouraged to provide outside wandering spaces. This is a requirement when designing for persons with dementia problems. Dementia units should be built on the ground floor, a security system with a keypad is desirable and a wander guard system should also be used. Building signage and layout of furnishings should incorporate way-finding features to assist those who may be confused or disoriented. Clustered unit entries and areas outside the unit entry that allow personalization are encouraged. Integrate emergency call, security, telephone and other communication systems to provide 24 hour monitoring. Residential treatment of exteriors is highly desirable. Consider the use of dormers and porches. **While balconies provide a residential touch, the HMFA does not recommend them. If you or your architect is considering balconies in your design, it should be discussed and approved by the HMFA prior to mortgage commitment. Additionally, the HMFA does not permit the use of Exterior Insulating Finish Systems (EIFS) such as Dryvit.**
Accessibility: Accessible and adaptable design features are standards developed for the physically challenged. These features are not always useful for the frail elder. Height of toilet seats; type, location, and height of grab bars; type, location and height of shower controls for example, may be different in a unit specifically designed for a frail elder versus a unit designed for a wheelchair user.
9. **Shared Space Design Issues:** Shared spaces are most successful when the residents use these spaces in their daily activities. It is the architect's role to anticipate where, when and how residents will want to use the facility, thereby locating spaces to the maximum advantage of the site, view, room, proportions, exposure, noise, proximity to other activity spaces, etc. Shared spaces should be directly related to the service program; superfluous, "un-programmed" spaces should be avoided.

Examples of shared spaces related to the service program may include:

- Seating areas near daily activity areas such as mail delivery or passenger pick-up point for programmed shopping trips.
- Lounge areas related to activities such as the laundry, music room, or library.
- Dedicated spaces like dining rooms may accommodate scheduled activities such as resident council meetings.
- Special purpose activity areas such as medical examination rooms or visiting nurse offices.

Shared spaces should also invite, but not require, participation. To that end a resident should be

able to observe what is going on in a shared space and choose whether or not to participate in an activity.

- A commercial kitchen shall be provided or a feasible plan to install one if off-site food service is anticipated. The sponsor is strongly encouraged to engage the services of a professional kitchen planner and to coordinate with the meals service provider for the design of the central kitchen facility.
 - Provide conveniently located toilet rooms near dining facilities and other activity areas.
10. **Other Space Requirements:** Washers and dryers for residents' private use should be provided at a ratio of one washer and dryer per 20 units. Central laundry facilities shall be provided or a feasible plan to install a central facility at a later date if off-site laundry service is anticipated. Storage and recharge areas for scooters (individual battery operated vehicles) should be considered depending upon space and market considerations. Staff office space should be provided in order to provide consistency, consider using residential furnishings and lighting schemes in office spaces. A trash room with sufficient areas for storage of recyclable materials should be provided. Special consideration should be paid to the advisability of providing dining spaces in a variety of sizes.
 11. **Unit Design Issues:** In order to encourage independence, privacy and choice, residents should have the ability and option to use personal furnishings in their units. Provide a kitchen or kitchenette. Include a sink, refrigerator, microwave oven (at a minimum) and storage. If a stovetop is included, emergency shut-offs should be installed. It is preferable to screen the kitchen from the living space. Cabinets should be mounted at heights appropriate to restricted reach ranges and allow for alternative shelf heights. Pantries in lieu of upper cabinets are highly desirable. Microwave ovens should be a counter top model if possible, to eliminate accidents do to stretching and reaching. Provide accessible controls for all appliances, environmental controls, and door and window hardware in the unit. Provide locks on unit entry doors. Windows with wide waterproof sills that are low enough to provide visibility from seated positions are desirable. Consider pre-wiring all units for emergency alarms and communications systems that are designed for the hearing or sight impaired. **If units are meant for double occupancy, each occupant must have his/her own bedroom and private bath unless being shared by persons who have come together as applicants for one unit, i.e. siblings, couples, friends.**
 12. **Bathroom Design Issues:** Privacy locksets shall be designed to permit the opening of the locked door from the outside in an emergency. The need for an assistant in the bathroom is common. Bathroom configurations large enough for the resident and assistant should be provided in as many units as possible. Bathrooms may include a roll-in shower. Both showers and bathtubs should have a built-in seat, grab bars, slip-resistant surface, hand held showerhead on a flexible hose, and over-head waterproof light. Where bath tubs are not provided in units, provide a least one central bath tub per floor; provide a 3' aisle on three sides of the tub or a tub designed to facilitate the transfer of a frail individual. Provide bathroom storage that is easily accessible.

When designing for Alzheimer's tenants, it is important to use the bathroom as a cuing mechanism therefore place it in a strategic position within the individual units. The toilet should be visible from the bed as well as the hallway of the unit entrance. Design for dementia units may appear to take away some of the tenant's privacy and dignity but, have proven to be both useful and successful in the management of specific behavioral issues associated with this population. Bathroom doors should be eliminated for this reason and should, instead be replaced with a curtain that can easily be pulled across the doorway for privacy when the room is in use. This allows for the tenant's immediate privacy but permits the use of the facility as a cuing mechanism and helps to eliminate a significant incontinence problem.